



ABSTAINERS' INSURANCE COMPANY
24 PEEL ST., SIMCOE, ONT., BOX 400.

Can corp

OFFICERS

R. B. Hare, M.D.; F.R.C.S., Chairman of the Board
S. R. Bernardo, President
R. G. Groom, Q.C., Vice-President
R. S. Mills, Q.C., Secretary
S. M. Fletcher, Treasurer
C. A. Blair, Managing Director

DIRECTORS

S. R. Bernardo	R. S. Mills, Q.C.
C. A. Blair	A. M. Waters
J. H. Disher	J. G. Webb
S. M. Fletcher	P. L. Wilson
R. G. Groom, Q.C.	
R. B. Hare, M.D.; F.R.C.S.	

PRESIDENT'S REPORT

to the Shareholders of Abstainers' Insurance Company:

Since the last annual meeting of Abstainers' Insurance Company, shareholders representing 95.46% of all outstanding Abstainers' shares accepted the offer of Maplex to exchange each of their Abstainers' shares for three shares of Maplex Management & Holdings Limited, the shares of which were posted for trading on the Industrial Section of the Toronto Stock Exchange during September 1972. Because of the reduced number of Abstainers' shares in the hands of the public after the exchange, Abstainers' no longer qualified for listing on the Vancouver Stock Exchange.

In spite of the new agency appointments made in Ontario in 1972 to offset the loss of \$137,000 of premiums in Manitoba, automobile premiums written in 1972 declined 6% to \$2,716,000 from \$2,895,000 in 1971.

Sales of fire and personal property insurance in 1972 increased 36% to \$252,000 from \$185,000 in 1971, resulting in a satisfactory level of profit for this department.

Underwriting experience in the year under review resulted in a loss of \$150,000 compared with a modest profit of \$2,700 in 1971. Contributing to the underwriting loss were substantial facility and reinsurance expenses, the effects of inflation on settling claims and a general increase in operating expenses.

Investment income increased to \$462,000 as a result of a highly satisfactory experience in our investment portfolio offsetting the underwriting loss and providing a net profit for the year of \$312,000. No income taxes were payable in 1972 because of tax loss provisions from prior years.

Efforts are being made to control the escalating costs of settling claims by undertaking the appraisal and adjustment of claims by our own staff adjustors and a special effort is being made at Head Office to control the ever increasing operating costs. Increased emphasis is being placed on the underwriting selection of risks and this department has been strengthened. In addition, it is expected that reinsurance costs will be reduced in 1973.

Whereas your company chose not to increase automobile insurance rates in 1972 contrary to industry practice, it has proposed to bring rates more closely into line with experience in 1973. Accordingly, the combined effects of increased premiums with a diligent cost control program should result in improved experience in all departments in 1973. Respectfully submitted on behalf of the board,

S. R. BERNARDO,
President.

ABSTAINERS' INSURANCE COMPANY

(Incorporated under the laws of the Province of Ontario)

Simcoe, Ontario

BALANCE SHEET - as at December 31, 1972
(with comparative figures for 1971)

<u>ASSETS</u>	<u>1972</u>	<u>1971</u>	<u>LIABILITIES</u>
Cash	\$ 172,962	\$ 118,520	Provision for unsettled claims and adjustment expenses
Investments - at amortized cost (market value 1972 - \$4,460,199; 1971 - \$4,111,801)			Unearned premiums at 85%
Canadian government and municipal bonds	\$ 1,249,160		Accounts payable and accrued charges
Other bonds & debentures	1,550,710		Advance premiums
Preference stocks	383,423		Reinsurance premiums payable and accrued
Common stocks	<u>1,037,837</u>		Provision for unsettled claims of reinsurers for which trust funds are held
	4,221,130	4,132,850	Total Liabilities
Net premiums receivable	38,506	11,742	<u>CAPITAL STOCK and SURPLUS</u>
Other amounts receivable	6,375	8,637	<u>Capital Stock</u>
Accounts receivable from affiliated companies	3,644	-	Authorized:
Accrued interest on investments	53,429	52,713	2,000 5% cumulative preference shares at \$100 each redeemable at par
Trust funds for claims of reinsurers	33,000	360,600	300,000 common shares at \$1 each
	<u>\$ 4,529,046</u>	<u>\$ 4,685,062</u>	<u>Issued and Fully Paid:</u>
On behalf of the Board:			2,000 preference shares
C.A. Blair, Director			126,614 common shares
S.M. Fletcher, Director			<u>Contributed Surplus</u> - Premium on sale of capital stock
The notes to the financial statements form an integral part of the statements.			<u>Earned Surplus</u>
			Less Unadmitted Assets
Excess of book value of bonds in default over market value	-	16,938	
	<u>\$ 4,529,046</u>	<u>\$ 4,668,124</u>	Surplus for the Protection of Policyholders

AUDITORS' REPORT

To the Shareholders of
Abstainers' Insurance Company

We have examined the balance sheet of Abstainers' Insurance Company as at December 31, 1972 and the statements of profit and loss for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1972 and the operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with the practice of the company.

Simcoe, Ontario
January 25, 1973

Waters, Savage & Co.
Chartered Accountants

ABSTAINERS' INSURANCE COMPANY
Simcoe, Ontario

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS - For the year ended December 31, 1972
(with comparative figures for the year 1971)

STATEMENT OF PROFIT AND LOSS

<u>1972</u>	<u>1971</u>		<u>1972</u>	<u>1971</u>
		Written premiums (less reinsurance)	\$ 2,758,342	\$ 2,870,403
\$ 1,577,380	\$ 1,743,566	Earned premiums	\$ 2,704,235	\$ 2,893,268
1,171,511	1,117,404	Claims and adjustment expenses	\$ 1,888,694	\$ 1,969,857
54,565	49,767	All other expenses	965,880	920,695
41,884	53,596		\$ 2,854,574	\$ 2,890,552
51,504	31,020			
33,000	360,600	Net underwriting profit (loss)	\$ (150,339)	\$ 2,716
\$ 2,929,844	\$ 3,355,953	Income from investments less investment counsel expense	264,456	254,007
		Profit from sale of investments	197,630	494
		Net profit before taxes on income	\$ 311,747	\$ 257,217
		Corporation income tax provision - (Notes 2 & 3)	67,970	102,768
		Net profit before extraordinary item	\$ 243,777	\$ 154,449
		Extraordinary item - reduction in income tax provision due to loss carry forward from prior years	67,970	101,270
		Net profit for the year	\$ 311,747	\$ 255,719
\$ 200,000	\$ 200,000	Profit per common share after preferred dividends		
126,614	126,614	Before extraordinary item	\$ 1.85	\$ 1.14
\$ 326,614	326,614	For the period	2.38	1.94
457,104	457,104			
815,484	528,453			

STATEMENT OF EARNED SURPLUS

	<u>1972</u>	<u>1971</u>
Balance - January 1st	\$ 545,391	\$ 331,326
Net profit for the year	311,747	255,719
	\$ 857,138	\$ 587,045
Dividends paid on preference shares	\$ 10,000	\$ 10,000
Dividends paid on common shares	31,654	31,654
	\$ 41,654	\$ 41,654
Balance - December 31st	\$ 815,484	\$ 545,391

and loss and earned surplus
records and other supporting

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with that of the preceding

Ernst & Ronson
Accountants

Notes to the Financial Statements:

- The fees received during the year by the directors amounted to \$8,300. In addition, the remuneration received during the year by the five highest paid officers and employees, including one director, amounted to \$70,193.
- The company has losses totalling \$162,448 deductible from taxable income in future years.
- The taxable income for the current year and prior years has been increased or decreased by the deduction of unearned premiums in excess of or less than the provision recorded in the accounts. The accumulated amount of deferred income taxes, not recorded as a liability in the accounts, resulting from the claiming of the excess for tax purpose is \$111,564 after an addition of \$12,241 resulting from the provision for the current year.



ABSTAINERS' INSURANCE COMPANY, 24 Peel Street, Simcoe, Ontario

The only Canadian Company providing automobile and fire insurance exclusively to abstainers.